Statement given in plenary session on 26 October 1956
by Mr. Robert Schmelz, Deputy Minister for Foreign Trade
of Czechoslovakia

In his speech at the opening meeting of the present GATT Session - which I did not have the pleasure of hearing but which I have studied with the greatest interest - His Excellency Mr. Dana Wilgress rightly drew our attention to the particularly alarming fact that the foreign trade of the underdeveloped countries, on which their progress depends, has declined. We were all invited to consider this problem and, in my opinion, this question should be the leitmotiv of our work.

The change in the structure of world trade which has been mentioned is closely related to another phenomenon to which reference is made in the World Economic Survey for 1955 by the Secretary-General of the United Nations, that is to say, to the fact that world trade in primary commodities is declining not only in relation to the total volume of world trade, but also in relation to world production of primary commodities and to industrial production. If we add to this the fluctuation in prices of primary commodities, we must be in full agreement with the statement made by the Secretary-General of the United Nations, on 16 July 1956, in his opening speech to the XXIInd Session of the Economic and Social Council, that the change of 5 per cent in the average price of exports from the underdeveloped countries was approximately equal to the total annual inflow of private or governmental capital plus grants to these countries and that, however essential it might be to increase all kinds of international financial aid, there could be no doubt that priority should be given to expanding the trade of the underdeveloped countries.

The September issue of the Monthly Statistical Bulletin, published by the United Nations, shows further that, during the last eighteen months, the countries exporting primary commodities have suffered further losses and that their position has further deteriorated. The prices they must pay for imported goods have risen, while the prices of their export products have fallen. That means that, during the period January 1955 - end of June 1956, these countries were able to buy 3 to 4 per cent less goods than previously with the proceeds of their exports.

At the same time, the West European countries are becoming increasingly dependent on North America for imports of raw materials, coal and fuels, although the so-called "dollar problem" is far from solved and international...
balance-of-payments difficulties still obtain. This situation has been further aggravated by unscheduled exports which have taken place within the programme of agricultural surplus disposal and which, in view of their structure, constitute a threat to the exports of other agricultural exporting countries.

Those are problems which the United Nations General Assembly, the Economic and Social Council and other agencies should deal with. In this connexion, it is appropriate to recall Resolution 621 adopted at the XXIInd Session of the Economic and Social Council, on international problems relating to primary commodities. We consider that special attention should be given to what is being done outside the GATT and that the Contracting Parties should contribute to the coordination of those activities and to ensuring that the leading rôle therein should be taken by the United Nations Commission on International Commodity Trade.

Another feature which, for more than thirty years, has been emerging in international trade development is the so-called watertight partitioning of world trade. The world market is divided into several more or less mutually exclusive groups. Although trade has expanded inside each group, commercial relations between the various groups have substantially declined. In 1953, about three-fifths of world trade took place within the various individual currency areas. Trade between individual areas represented about one-fifth, and trade between the rest of the world accounted for one-fifth. This can certainly not be considered as a sound situation. The so-called European Payments Union area, which is the closest to Czechoslovakia, is one of the most important. It would be desirable if the GATT secretariat, in its next study, should pay special attention to this watertight partitioning which always results in a varying degree of discrimination towards third countries. It is also to be hoped that the report to be submitted by the Secretary-General of the United Nations, under Resolution 614 (XXII) of the Economic and Social Council, will also cast some light on this trend.

In the first instance, however, the GATT should give constant attention to these phenomena and should ask itself whether this trend is in accordance with the objectives set forth in the General Agreement on Tariffs and Trade as well as in the basic provisions of this agreement which are of such importance to the relations between the contracting parties that they can only be amended by the unanimous agreement of all the contracting parties.

In the spirit which animates its peaceful policy, Czechoslovakia is endeavouring to expand its relations with all the countries of the world. In 1955, the volume of Czechoslovakia's foreign trade amounted to more than Kčs 16 thousand million, representing an increase of 102 per cent in comparison with 1948 and an increase of 25 per cent in comparison with 1938. Czechoslovakia has made great efforts to develop its trade with the underdeveloped countries. While in 1953 the share of those countries accounted for only 6.7 per cent of Czechoslovakia's foreign trade, that figure
had doubled and was more than 13.5 per cent in 1955. This has naturally led to a substantial change in the pattern of Czechoslovak exports. While in 1937 machinery and mechanical equipment accounted for only 4.5 per cent of the volume of exports, that amount had increased to 43.5 per cent in 1955. With regard to consumer products, which can be domestically produced by an increasing number of countries, the percentage has fallen, on the contrary, from 50.8 to 11.1 per cent. In the field of imports, Czechoslovakia has considerably increased imports of foodstuffs; a steadily increasing demand has resulted in an increase in imports of 58 per cent in comparison with 1948, although domestic production has expanded during the same period.

The problems facing GATT raise the question whether the GATT is or is not sufficiently universal in nature, and whether there is hope that the Organization for Trade Cooperation, which GATT is considering establishing, would be sufficiently universal. It would seem that we cannot answer this question in the affirmative. GATT keeps its nature of a "club" and the consequence is the limited attention which it sometimes pays to what is happening elsewhere, either in the United Nations General Assembly, the Economic and Social Council, the United Nations regional commissions, etc. Important questions such as international trade in general, plans for the establishment of an international trade organization, and commodity trade, are considered in great detail in different places. With regard to Europe, a plan for an agreement for economic cooperation throughout Europe has been presented to the Economic Commission for Europe. Draft texts have already been submitted to the European governments who will have to decide on the matter.

For the foregoing reasons the Czechoslovak delegation holds the view that it would be appropriate for the GATT secretariat to prepare for the Contracting Parties a summary of these negotiations, discussions, resolutions and documents, and that it should be represented, whenever possible, at these negotiations and report to the Contracting Parties thereon. Only in this way can the activities of the GATT be brought in closer relationship to what is happening elsewhere.